

Message Text

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PAGE 01 EC BRU 01817 01 OF 02 031437 Z

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ACTION EUR-25

INFO OCT-01 ADP-00 IO-12 AF-10 ARA-11 EA-11 NEA-10 RSC-01

SS-15 NSC-10 L-03 H-02 AGR-20 IGA-02 PRS-01 USIA-12

AID-20 CEA-02 CIAE-00 COME-00 EB-11 FRB-02 INR-10

NSAE-00 CIEP-02 STR-08 TRSE-00 LAB-06 SIL-01 SAL-01

OMB-01 TAR-02 INT-08 XMB-07 RSR-01 /228 W

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R 031233 Z APR 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 4982

INFO AMEMBASSY ABIDJAN

AMEMBASSY ACCRA

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DAKAR

AMEMBASSY DAR ES SALAM

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

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AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMEMBASSY LUXEMBOURG

AMEMBASSY NAIROBI

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY YAOUNDE

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LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 1817

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PAGE 02 EC BRU 01817 01 OF 02 031437 Z

PASS STR AND AGRICULTURE

E. O. 11652 NA

TAGS: ETRD, XA, EEC

SUB: INITIAL EC COMMISSION REPORT TO THE COUNCIL IN
PREPARATION FOR THE NEGOTIATION OF YAOUNDE III:
THE FREE TRADE AREA AND REVERSE PREFERENCES ISSUE

REF: (A) EC BRUSSELS 1239
(B) EC BRUSSELS 1601

1. SUMMARY: THE MISSION HAS OBTAINED, ON A CONFIDENTIAL BASIS, (US POSSESSION SHOULD NOT BE REVEALED) A COPY OF THE INITIAL REPORT PREPARED BY THE COMMISSION STAFF IN ANTICIPATION OF NEGOTIATIONS WITH THE AFRICAN ASSOCIATES AND COMMONWEALTH ASSOCIABLE COUNTRIES. KEY ELEMENTS OF THIS REPORT WERE SUMMARIZED IN REF A. THE REPORT WILL BE SUBMITTED TO THE COMMISSIONERS FOR APPROVAL ON APRIL 4. IF APPROVED AT THAT TIME, IT WILL SUBSEQUENTLY BE FORWARDED TO THE EC COUNCIL, PROBABLY BEFORE EASTER. THE REPORT IS DIVIDED INTO SEVERAL PARTS COVERING TRADE, FINANCIAL AND TECHNICAL CO-OPERATION, COOPERATION IN OTHER FIELDS AND INSTITUTIONS. THIS MESSAGE, AND A SEPARATE CABLE RELATED TO SPECIAL COMMODITY ARRANGEMENTS SUMMARIZE KEY ASPECTS OF THE LENGTHY PORTION OF THE COMMISSION PAPER DEVOTED TO TRADE. AS REPORTED BELOW THE COMMISSION HAS AGAIN ATTEMPTED TO JUSTIFY THE FREE TRADE AREA APPROACH TO ARRANGEMENTS BETWEEN THE COMMUNITY AND ELIGIBLE AFRICAN COUNTRIES. INEVITABLY THIS INVOLVES A DISCUSSION OF THE REVERSE PREFERENCES ISSUE. IN BOTH CASES THE COMMISSION LINE CLOSELY PARALLELS THAT TAKEN BY COMMISSIONER DENIAU DURING THE RECENT US- EC CONSULTATIONS (REFTEL B). THE FRENCH LANGUAGE TEXT OF THE FULL REPORT IS BEING POUCHED TO THE DEPARTMENT. END SUMMARY.

2. IN ITS INITIAL PAPER DESCRIBING THE FORTHCOMING NEGOTIATIONS WITH THE PRESENT AFRICAN ASSOCIATES AND COMMONWEALTH ASSOCIABLES THE COMMISSION HAS AGAIN CONFIRMED ITS ATTACHMENT TO THE FREE TRADE AREA APPROACH TO RELATIONS BETWEEN THE COMMUNITY AND LIMITED OFFICIAL USE

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PAGE 03 EC BRU 01817 01 OF 02 031437 Z

THESE COUNTRIES. THIS APPROACH IS JUSTIFIED ON

SEVERAL GROUNDS:

(1) FROM A POLITICAL POINT OF VIEW IT IS SEEN AS SAFEGUARDING THE CONTRACTUAL NATURE OF THE ASSOCIATION. THE COMMISSION CLAIMS THAT OTHER SOLUTIONS WOULD ACCENTUATE THE UNILATERAL AND PRECARIOUS CHARACTER OF TRADE RELATIONS BETWEEN THE COMMUNITY AND ITS ASSOCIATES, WHEREAS THE PRESENT FREE TRADE ARRANGEMENTS DESPITE THE ECONOMIC INEQUALITY OF THE PARTNERS IS BASED ON A SYSTEM OF MUTUAL PARITY AND SOLIDARITY. THESE CHARACTERISTICS DISTINGUISH EC ASSOCIATION POLICY FROM OTHER ASPECTS OF ITS POLICY TOWARD LDCS SUCH AS GPS WHICH IS BASED ON THE AUTONOMOUS DECISION OF THE COMMUNITY.

(2) THE COMMUNITY HAS BEEN, AND REMAINS, THE PRINCIPAL EXPORT OUTLET AND IMPORT SOURCE FOR THE COUNTRIES, WHICH ALREADY HAVE, OR HAVE BEEN OFFERED, ASSOCIATE STATUS.

(3) FOR THE LONGER TERM THE INDUSTRIAL DEVELOPMENT OF THE ASSOCIATED STATES CAN BE FACILITATED BY THE CONDITIONS OF THE PRESENT AGREEMENT. THE REPORT NOTES THAT ALTHOUGH THE COUNTRIES INVOLVED ARE NOT YET EXPORTERS OF FINISHED AND SEMI- FINISHED PRODUCTS, IN THE FUTURE THEY CAN BE EXPECTED TO GRADUALLY INCREASE PRODUCTION FOR EXPORT. WITH THIS PERSPECTIVE IN MIND IT IS IMPORTANT THAT INDUSTRIAL ENTERPRISES IN THE ASSOCIATED STATES BE ASSURED THAT THE TRADE REGIME THAT WILL BE APPLIED TO THEIR EXPORTS TO THE COMMUNITY REMAIN AS LIBERAL AS POSSIBLE. THE FREE TRADE AREA PROVIDES IN THIS REGARD A BETTER SOLUTION THAN DOES GENERALIZED PREFERENCES WHICH TENDS TO FAVOR THE MORE DEVELOPED OF THE DEVELOPING COUNTRIES AND DOES NOT COVER MANY OF THE PRODUCTS OF INTEREST TO THE ASSOCIATED AND ASSOCIABLE COUNTRIES.

(4) FINALLY, THE COMMISSION SUGGESTS THAT FOR LEGAL REASONS, RELATED TO THE COMMUNITY' S GATT OBLIGATIONS ONLY ARTICLES XXIV AND XXV PROVIDE FOR EXCEPTIONS TO THE MFN PRINCIPLE. THE REPORT
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PAGE 04 EC BRU 01817 01 OF 02 031437 Z

STATES THAT ARTICLE XXIV OFFERS EVIDENT ADVANTAGES OVER ARTICLE XXV. THESE ADVANTAGES INCLUDE AVOIDING THE NEED FOR AN ANNUAL REVIEW REQUIRED BY A WAIVER AND ALLOWING THE PARTIES INVOLVED IN A FREE TRADE AREA TO GRADUALLY ELIMINATE INTERNAL BARRIERS TO TRADE WHILE SAFEGUARDING

THEIR FREEDOM OF ACTION TOWARD THIRD COUNTRIES.

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PAGE 01 EC BRU 01817 02 OF 02 031449 Z

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PAGE 02 EC BRU 01817 02 OF 02 031449 Z

3. WITH REGARD TO THE QUESTION OF REVERSE PREFERENCES, THE COMMISSION PAPER ACKNOWLEDGES THAT DIFFERENCES OF OPINION HAVE ARISEN REGARDING THE TREATMENT WHICH EXPORTS FROM THE COMMUNITY SHOULD RECEIVE IN ASSOCIATED COUNTRIES. THE COMMISSION SETS OUT TO CLARIFY ITS POSITION BY NOTING THE NEED, ON THE ONE HAND, TO RESPECT THE PRINCIPLE OF FREE TRADE AND, ON THE OTHER, TO RECONCILE THE DIFFERENCES OF OPINION THAT APPEAR TO EXIST AMONG THOSE COUNTRIES ELIGIBLE FOR ASSOCIATION, PARTICULARLY ON THE REVERSE PREFERENCES ISSUE.

4. THE COMMISSION POSITION IS SPELLED OUT IN FOUR POINTS:

(1) FOR REASONS RELATED ESSENTIALLY A FEW CARS, AND SET ONE AFIRE. GROUP FINALLY DISPERSED BY POLICE USING TEARGAS. SEVENTEEN POLICE REPORTED INJURED, NONE SERIOUSLY.

3. SIMILAR MARCHES OCCURRED, WITHOUT INCIDENTS, AT LYON (20,000), BORDEAUX (10,000), TOULOUSE (10,000), ROUEN (6,000), AVIGNON (5,000), NICE (4,000), AND ELSEWHERE IN THE PROVINCES. ANTI-MILITARY SLOGANS PAINTED ON WALLS OF MILITARY INSTALLATIONS AT TOULOUSE, AND PROTEST STREAMERS RAISED ON FLAGPOLE ARMY BARRACKS AT ANGOULOUME.

4. ORIGINALLY PROTESTING ONLY WITHDRAWAL DRAFT DEFERMENTS, SOME STUDENTS NOW QUESTIONING VERY ROLE OF MILITARY AND NEED FOR SERVICE AT ALL.

5. UNIVERSITY STUDENTS, IN ADDITION MILITARY ISSUE, BRING OWN GRIEVANCE RE INSTITUTION OF DIPLOME D' ETUDES UNIVERSITAIRES GENERALES (DEUG), AWARDED HALFWAY THROUGH UNIVERSITY COURSE. INTENDED AS MARK OF ACHIEVEMENT FOR 50 PER CENT WHO NEVER COMPLETE UNIVERSITY STUDIES, DEUG VIEWED BY STUDENTS AS WORTHLESS SECOND-CLASS DIPLOMA AND A POSSIBLE PRELUDE TO MORE SELECTIVE UPWARD SCREENING.

6. PLACARDS PROCLAIMING SOLIDARITY WITH RENAULT STRIKE ACTION REVEAL " GAUCHISTE" HAND, BUT AT THIS STAGE PROBABLY REPRESENT MORE WISHFUL THINKING THAN FACT. STUDENT ATTEMPTS ESTABLISH " DIALOGUE" WITH RENAULT WORKERS REPORTEDLY HAVE THUS FAR PROVED VAIN.

7. NEW NATIONAL ASSEMBLY, WHICH SAT FOR FIRST TIME APRIL 2, WILL

BE UNDER PRESSURE TO REVIEW DRAFT LAW ON PRIORITY BASIS TO MEET
OVERWHELMING DEMANDS BY STUDENTS AND SIZABLE CURRENT OF PUBLIC
OPINION.

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PAGE 03 PARIS 09350 031956 Z

8. COMMENT: ALTHOUGH ATTENDANCE AT MOST LYCEES
IN PARIS IS REPORTEDLY BACK TO NORMAL, STUDENT AGITATION WILL
UNDOUBTEDLY CONTINUE. ADDITIONAL DEMONSTRATIONS ARE PLANNED
FOR PARIS AND THE PROVINCES, WITH ANOTHER ALL- OUT MASS DEMONS-
TRATION PLANNED FOR MAY 1. ALTHOUGH POLICE HAVE REACTED CALMLY
AND EFFECTIVELY SO FAR, SITUATION REMAINS TRICKY AND BEARS
WATCHING.

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